

September 10, 2019

To: Members
Finance and Administration Committee

Re: Dewdney West Boundary Alteration - 2019 Property Tax Exemption Request

RECOMMENDATION

1. That the request by Dick Wellman, Lily Farley and James Farley for a property tax exemption on 11400 Dewdney Avenue, 10600 Dewdney Avenue and 13000 Dewdney Avenue, be denied.
2. That this report be forwarded to the September 30, 2019 meeting of City Council for approval.

CONCLUSION

The City has received requests from property owners (Appendix A) for additional property tax mitigation on three properties affected by the 2014 boundary alteration. Property tax mitigation tools and principles for properties affected by the 2014 boundary alteration were approved in Report CM13-14: Reconsideration of 2013 Boundary Alteration (CM13-14) on November 6, 2013. Under the approved mitigation tools, the three properties were in the Commercial Corridor but classified in the New Neighbourhood (300k population) category as they are agricultural land. They received a five-year tax mitigation, where taxes remained at the rural municipality levels for 2014 to 2018 and became fully taxable at City of Regina rates in 2019.

The property owners are requesting mitigation be continued for another five-year period (2019 - 2023) with the option for Council to grant an additional five-year period beginning in 2024 (2024-2028).

Administration recommends that this request for a property tax exemption be denied as the mitigation provided was consistent with the intent of the previously approved principles.

BACKGROUND

On November 6, 2013, City Council approved the recommendations in CM13-14 for the boundary alteration. All lands affected by the boundary alteration are outlined on page one of Appendix B.

The report contained the following tax mitigation principles:

1. Protect the property owner, whose land is annexed into the City of Regina from unreasonable financial hardship;
2. Balance the need to protect the City's financial viability with protecting its long-term growth needs;

3. Property tax mitigation will be applied through existing legislation; and
4. Property tax mitigation will expire over time either when the property is developed or when the time frame for the mitigation expires.

The mitigation tools applied to each category, beginning in 2014, are shown in Table 1: Previously Approved Tax Mitigation Tools. The levels of mitigation applied to each category were designed to reflect the levels of services that the property received over the period. All properties receiving mitigation are subject to mill rate increases.

Table 1: Previously Approved Tax Mitigation Tools

| Category | Tax Mitigation |
|---|--|
| Commercial Corridor | <ul style="list-style-type: none"> ▪ Five-year tax mitigation, which phases in the City taxation levels on the commercial properties, at a rate of 20% per year. ▪ Fully taxable at City of Regina mill rates in 2018 |
| New Neighbourhood (300k population) * | <ul style="list-style-type: none"> ▪ Five-year tax mitigation whereby the taxes would remain at RM levels. ▪ Fully taxable at City of Regina mill rates in 2019. |
| Future Long-Term Growth (500k population) | <ul style="list-style-type: none"> ▪ Five-year tax mitigation, whereby the taxes would remain at RM levels which may be extended to 10 and then 15 years. ▪ This recognized that longer-term growth areas would not be eligible for development and servicing under the growth plan and would remain as largely rural lands zoned as urban holdings for longer term. |

*Agricultural properties within the Commercial Corridor were identified as New Neighbourhood (300k population) as they were not identified as employment lands in the OCP.

Properties where the tax difference between the 2013 rural taxes and the 2014 estimated municipal tax was less than \$10 do not receive tax mitigation. There are some linear properties, such as pipelines and railways, within the boundary alteration area crossing through the city that did not receive tax mitigation.

The commercial properties in the Commercial Corridor category became fully taxable at City of Regina rates in 2018 and all properties in the original New Neighbourhood (300k population) category became taxable at City of Regina rates in 2019. As properties in the approved mitigation area are developed, they are removed from mitigation.

In February of 2019, Council approved report CR19-15 Boundary Alteration 2019 Property Tax Exemptions. This report created a new mitigation category, South East Mitigation and set the direction for the next five years of mitigation for properties in the new category and the Future Long-Term Growth (500k population) mitigation areas.

Administration has received a request for further mitigation from three properties owners. These properties were agricultural properties in the Commercial Corridor and therefore received

mitigation as New Neighbourhood (300k population). These three properties are outlined on page two of Appendix B. Under the mitigation tools established in 2013, these properties received a five-year tax mitigation, where taxes remained at the rural municipality levels for 2014 to 2018 and became fully taxable at City of Regina rates in 2019.

The property owners are requesting additional mitigation that would result in them being treated the same as properties in the South East Mitigation and Future Long-Term Growth (500k population) categories.

The request states that:

- the properties are agricultural and have seen no change in the amount or level of services since the boundary alteration.
- the increase in property taxes due to the expiration of mitigation puts these properties at a significant disadvantage compared to farmland still receiving mitigation and farmland in the neighbouring rural municipality.
- development on the west side of the City has not occurred at the expected rate and a change in use for these properties is no longer imminent.

DISCUSSION

Administration has reviewed these three properties, and all other agricultural properties in the Commercial Corridor, and identified three options for Council's consideration. Each option is discussed below with a summary of the financial impacts shown in Appendix C.

Option 1 – Status Quo (Recommended Option)

With this option no additional mitigation will be provided, and the requested properties will remain fully taxable in 2019. This option is consistent with the original property tax tools and principles approved in CM13-14 and CR19-15 but it does not recognize the slower than expected development around the Global Transportation Hub.

At the time of the boundary alteration, communication to property owners of the affected lands was that they would receive a five-year mitigation that would expire the end of December 2018 and in 2019 their property would become fully taxable at the City of Regina rates.

The requested properties are currently fully taxable, therefore there is no financial impact with this option.

Option 2 – Provide Mitigation for the three agricultural properties in the West Commercial Corridor

With this option, three properties (listed in Part A of Appendix D), would receive mitigation. Taxes for these three properties will remain at RM levels for the years 2019-2023. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028. This option recognizes the request of these property owners but is not consistent with the original communications to property owners or property tax tools and principles established at the time of

boundary alteration. This option does not treat all properties in the New Neighbourhood (300k population) category equally.

The financial impact of this option is a municipal exemption of approximately \$5,330 annually or \$26,650 over the first five-year period and \$53,299 over the 10-year period.

Option 3 – Provide Mitigation for all agricultural properties in the Commercial Corridors

With this option, there are ten properties (listed in Part B of Appendix D), which are in the commercial corridor but classified as New Neighbourhood (300k population) because they are agricultural properties. Taxes for these ten properties will remain at RM levels for the years 2019-2023. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028. This option is not consistent with the original communications to property owners or property tax tools and principles established at the time of boundary alteration. While it does provide consistency among all agricultural properties in the Commercial Corridor, it does not treat all New Neighbourhood (300k) properties equally.

The financial impact of this option is a municipal exemption of approximately \$17,743 annually or \$88,714 over the first five-year period and \$177,429 over the 10-year period.

Option 4 – Provide Mitigation for all property's in the New Neighbourhood (300k Population) area

With this option, there are 31 properties (listed in Part C of Appendix D), which are classified as New Neighbourhood (300k population). Taxes for these 31 properties will remain at RM levels for the years 2019-2023. In 2024, mitigation may, at Council's discretion, be extended for an additional five years to 2028. This option treats all properties in the New Neighbourhood (300k) properties equally but is not consistent with the original communications to property owners or property tax tools and principles established at the time of boundary alteration.

The financial impact of this option is a municipal exemption of approximately \$41,139 annually or \$205,695 over the first five-year period and \$411,390 over the 10-year period.

Implementation of Options

If Option 2, 3 or 4 are chosen, the conditions as outlined in CR19-15 will apply for all properties receiving mitigation as part of the 2013 Boundary Alteration. The conditions are as follows:

- All properties receiving mitigation will be subject to mill rate increases over the mitigation period.
- Properties where the tax difference between the 2013 rural taxes and the estimated municipal tax is less than \$10 will not receive tax mitigation.
- Linear properties, such as pipelines and railways, within the boundary alteration area crossing through the city will not receive tax mitigation.
- Existing uses of the land will continue until the land is planned for development.

- Development will occur in a staged approach consistent with growth management policies in the OCP and development regulations in the *City of Regina Zoning Bylaw* to ensure an orderly transition from primarily agricultural land to urban development.
- As properties are developed, they will be removed from mitigation. For the purposes of these exemptions, developed means where a development permit or building permit has been issued by the City of Regina.
- Any properties receiving mitigation will be reviewed with any future OCP amendments to the Growth Plan.

RECOMMENDATION IMPLICATIONS

Financial Implications

If the request for additional mitigation is denied, there is no financial impact as the properties are currently fully taxable.

The costs of the exemptions for Options 2, 3 and 4 are not reflected in the 2019 budget. The cost of these options is shown in Appendix C.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The recommendation contained in this report is consistent with the original communications to property owners as well as tax policy principles and tools established in previous boundary alteration reports CM13-14 and CR19-15. These principles and tools are designed to plan the City's long-term growth needs, as outlined in the OCP.

There are properties that are agricultural in nature located outside the Commercial Corridors classified as New Neighbourhood (300k population) area. If options two or three are chosen, these property owners may come forward to request the same consideration. Option four was developed as the result of inquiries by additional property owners in the New Neighbourhood (300k population) area. All areas identified as New Neighbourhood (300k population) are identified on page one of Appendix B.

Other Implications

The education portion of the taxes is subject to *The Education Property Tax Act* which specifies that any exemption of education taxes that is \$25,000 or greater in any given year, must be approved by the Government of Saskatchewan.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

All owners of the affected lands received communication with respect to the resolutions previously passed by City Council regarding assessment exemptions for lands within the Boundary Alteration area.

Owners of properties requesting this exemption will be informed of this report.

DELEGATED AUTHORITY

The recommendation contained in this report requires City Council approval.

Unless specifically exempted, all property in a municipality is subject to assessment and taxation pursuant to *The Cities Act*. City Council may, by bylaw, exempt from taxation the whole or part of any land or improvement designated in the bylaw.

Respectfully submitted,



Deborah Bryden, Director
Assessment, Tax & Utility Billing

Respectfully submitted,



Barry Lacey, Executive Director
Financial Strategy and Sustainability

Report prepared by:
Tanya Mills, Manager, Property Tax & Utility Billing